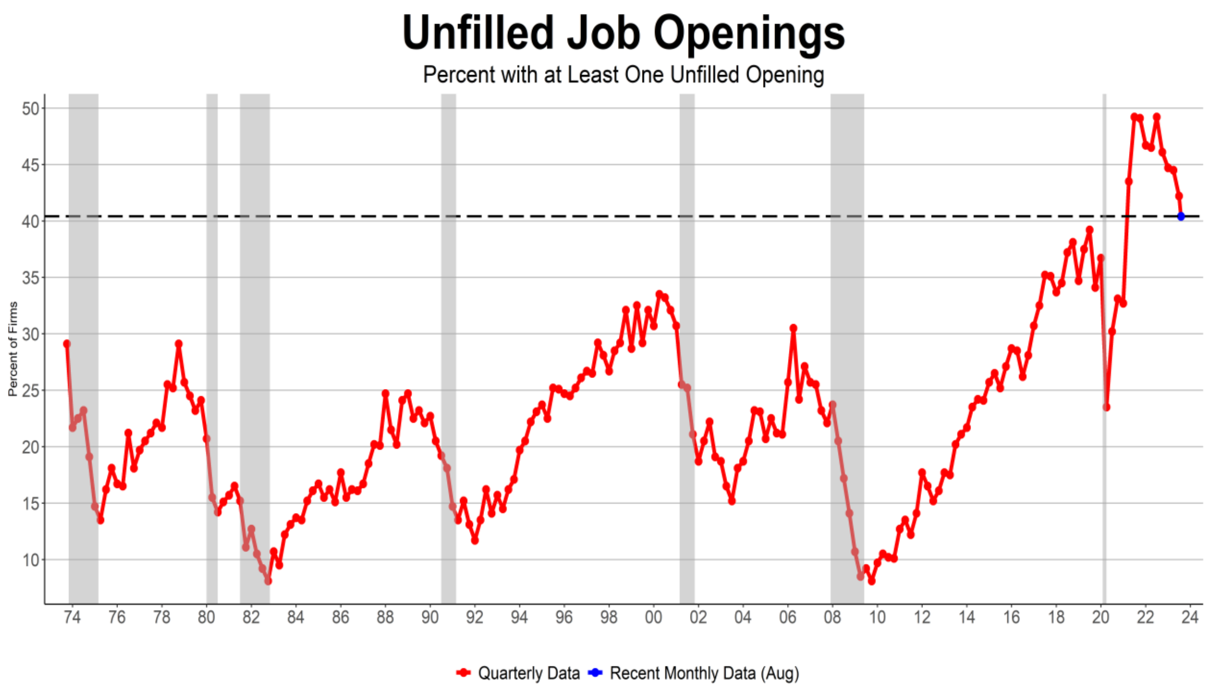
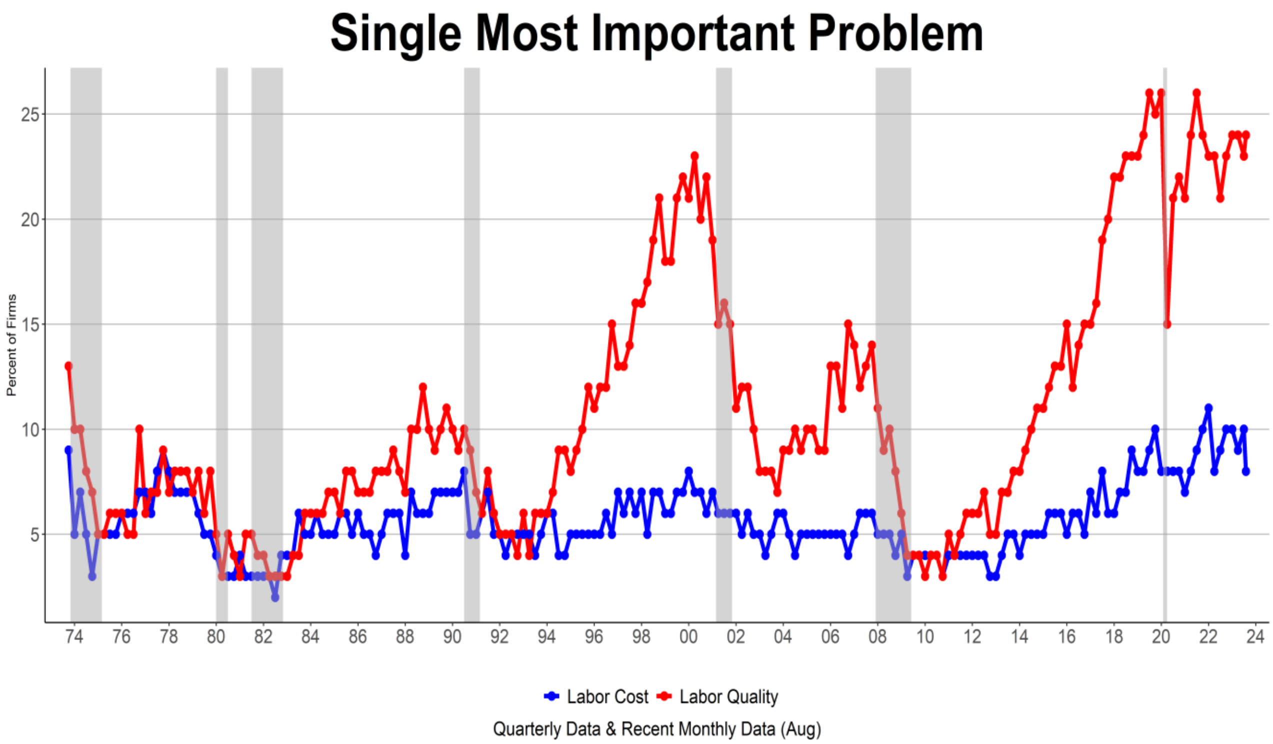
Small Business Unfilled Job Openings Slips but Plan to Increase Compensation Jumps

Based on 611 respondents to the August survey of a random sample of NFIB's member firms, surveyed through 8/28/2023.
EMBARGO 1 PM THURSDAY

Since the Federal Reserve began tightening policy in March 2022, job openings have fallen 27 percent according to the JOLTS data while the unemployment rate has remained steadily low. Job openings will get cut significantly before actual layoffs rise. In NFIB's survey, 40 percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 2 points from July and the lowest since February 2021. Thirty-five percent have openings for skilled workers (down 1 point) and 18 percent have openings for unskilled labor (unchanged). Asked about the overall change in employment at their firm, 12.8 percent reported higher, 12.4 percent reported lower, a fairly flat performance.



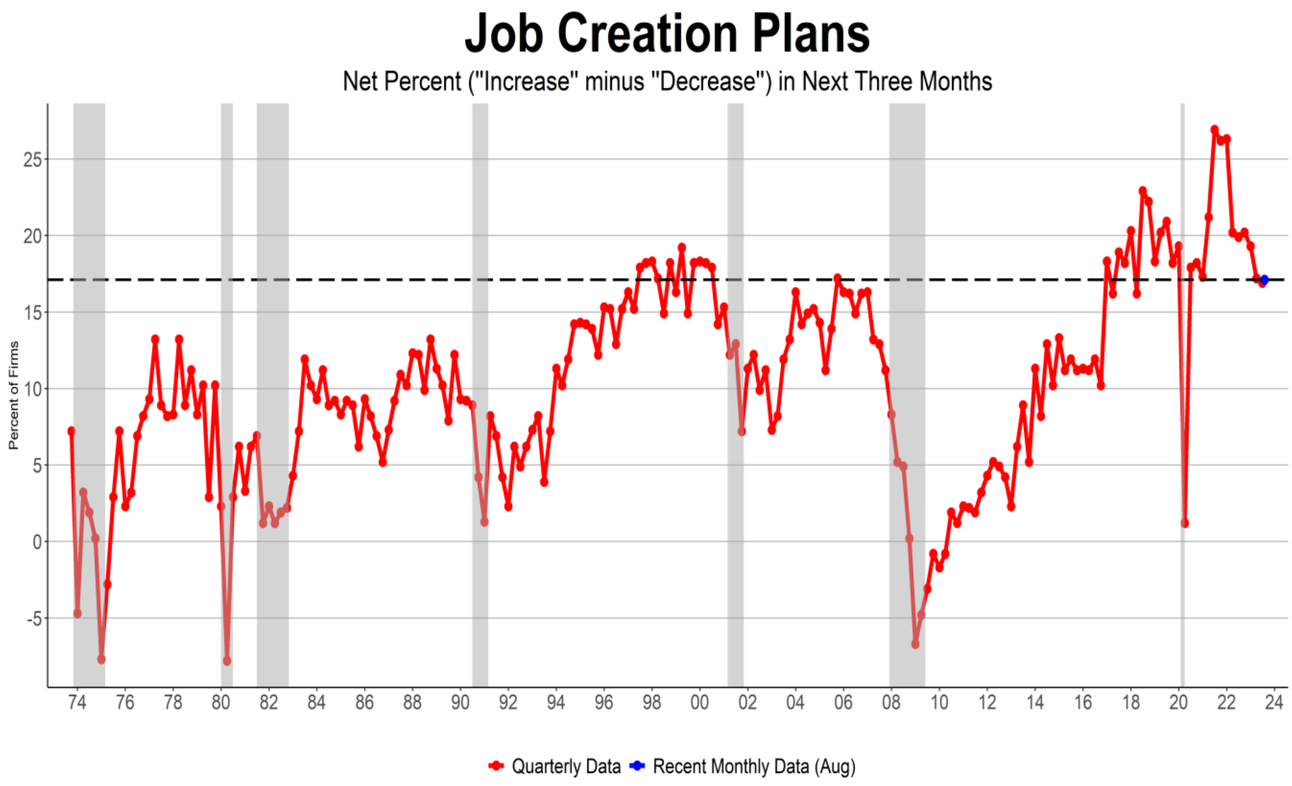
The percent of small business owners reporting labor quality as their top small business operating problem remains elevated at 24 percent, up 1 point from July. Labor cost reported as the single most important problem to business owners decreased 2 points to 8 percent, 5 points below the highest reading of 13 percent reached in December 2021.



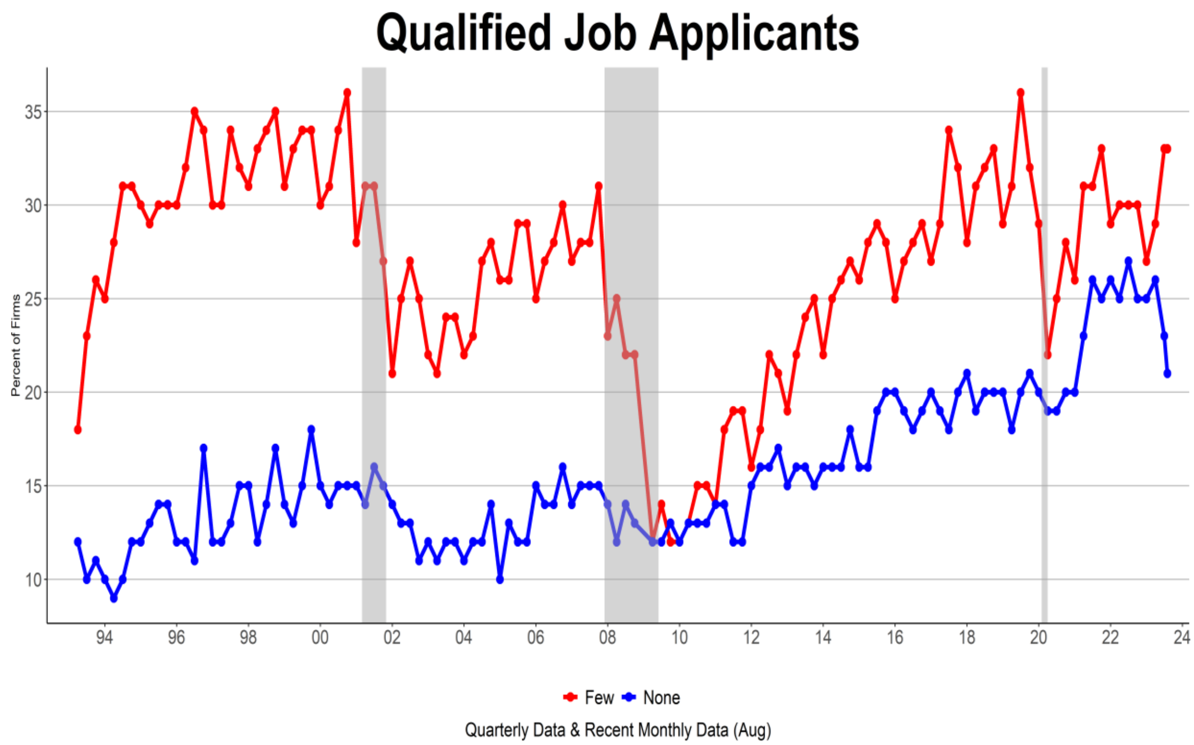
Job openings in residential construction were the same as last month, and the need for workers remains historically strong. Higher mortgage rates have not depressed real estate purchases as much as expected. Mortgage rates will remain high for the rest of the year under Fed policy. All industries reported fewer job openings compared to last month except for services (up 1 point) and professional services (up 1 point).

Industry- Percent with Job Openings	
Construction	61%
Services	45%
Manufacturing	41%
Retail	37%
Wholesale	36%
Agriculture	28%
Professional	28%
Transportation	28%
Finance	17%

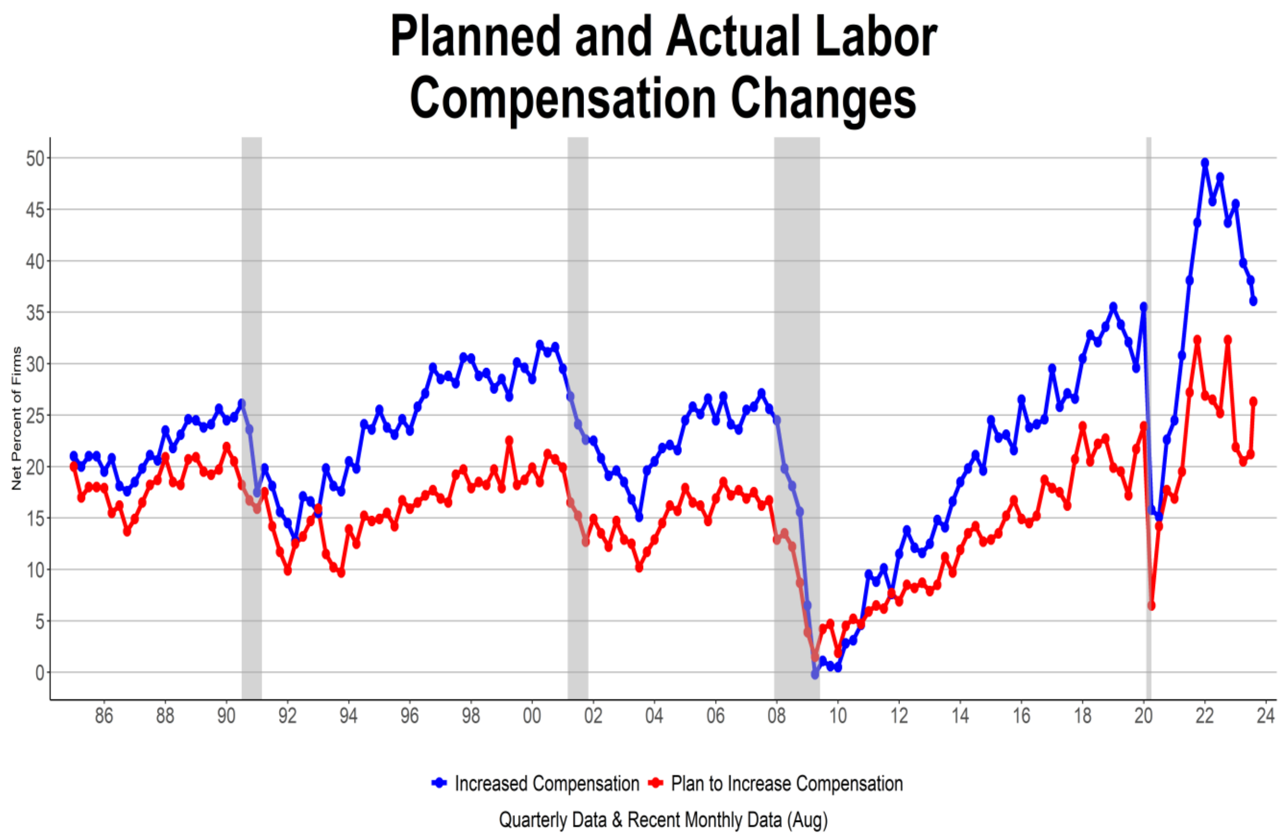
Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 17 percent planning to create new jobs in the next three months, unchanged from July but 15 points below its record high reading of 32 reached in August 2021. Although unchanged, hiring plans are clearly trending down, gradually, leaving plans still historically strong in the face of a weakening economy.



Overall, 59 percent reported hiring or trying to hire in August, down 2 points from July. Fifty-four percent (92 percent of those hiring or trying to hire) of owners reported few or no qualified applicants for the positions they were trying to fill (down 2 points). Thirty-three percent of owners reported few qualified applicants for their open positions (unchanged) and 21 percent reported none (down 2 points).



Seasonally adjusted, a net 36 percent reported raising compensation, down 2 points from July, and the lowest reading (tied with June) since May 2021. A net 26 percent plan to raise compensation in the next three months, up 5 points from July. Far more owners will have to compete than are currently planning to add to that expense with new hires or increased compensation. With labor demand remaining strong (as has consumer spending), firms must maintain competitive compensation to retain workers and hopefully to fill critical positions. As long as consumers spend, firms will find it profitable to hire. But hiring continues to be hindered by the lack of qualified workers.



The labor situation remains frustrating for small business owners. The staffing shortage has limited small business owners' ability to fully take advantage of current sales opportunities. For now, the level of job openings suggests the labor market will continue to be firm, especially on Main Street. But the third quarter will likely see the number of layoffs rising and, eventually, a reduction in unfilled job openings. And, fewer owners will raise worker compensation.